RECRUIT

November 14, 2017

Recruit Holdings, Co., Ltd. (TSE 6098)
Consolidated Financial Results for the Six Months Ended September 30, 2017
(IFRS, Unaudited)

Masumi Minegishi, President, CEO, and Representative Director
Keiichi Sagawa, CFO and Senior Managing Corporate Executive Officer
http://www.recruit-rgf.com/ir/

Tokyo, November 14, 2017—Recruit Holdings, Co., Ltd. (TSE 6098) ("Recruit Holdings" or the "Company") announced today its financial results for the six months ended September 30, 2017.

(Amounts are rounded to the nearest million yen)

Consolidated Operating Results for the Six Months Ended September 30, 2017 (April 1 to September 30, 2017)

	For the Six Months Ended September 30,		% change
	2016	2017	
	(in millions of yen)		
Revenue	924,751	1,063,094	15.0
EBITDA[1]	121,743	139,232	14.4
Operating income	117,497	108,391	(7.7)
Profit before tax	119,376	113,233	(5.1)
Profit for the period	84,339	82,448	(2.2)
Profit attributable to owners of the parent	83,987	82,068	(2.3)
Profit available for dividends[2]	67,268	74,499	10.7
Total comprehensive income	29,402	103,443	251.8
Adjusted EPS (yen) [3]	43.47	48.30	11.1
Earnings per share –Basic (yen)	49.70	49.13	-
Earnings per share –Diluted (yen)	49.63	49.02	-

Selected Consolidated Balance Sheet Information

	As of March 31, 2017	As of September 30, 2017
	(in millions of yen)	
Total assets	1,462,903	1,509,752
Total equity	742,765	807,612
Equity attributable to owners of the parent	737,575	802,690
Ratio of equity attributable to owners of the parent (%)	50.4	53.2

Dividends for the Year Ending March 31, 2018 (April 1, 2017 to March 31, 2018) (the "Fiscal Year 2017" or "FY2017")

The Company's dividend forecast for the Fiscal Year 2017 remained unchanged since May 12, 2017.

	FY2016	FY2017
Annual amount of dividends		-
At the end of Q1	-	-
At the end of Q2	-	11.00
At the end of Q3	-	Not Available
At the end of Q4	65.00*	Not Available
Total	65.00*	22.00 (Forecast)

Note: See the note for the three-for-one stock split on page 2.

Outlook for the Fiscal Year 2017

The Company's consolidated annual earnings forecast for the Fiscal Year 2017 remained unchanged since May 12, 2017.

	FY2016	FY2017 (Forecast)	% change
	(in millions of yen)		
Revenue	1,941,922	2,084,000	7.3
EBITDA	232,205	251,000	8.1
Operating income	193,513	185,500	(4.1)
Profit attributable to owners of the parent	136,654	122,000	(10.7)
Profit available for dividends	122,131	124,000	1.5
Adjusted EPS (yen)	80.06	82.01	2.4
Earnings per share –Basic (yen)	81.33	73.03	-

Changes in Important Subsidiaries for the Reporting Period

The Company has no change in specific subsidiaries accompanying a change in the scope of consolidation.

Changes in Accounting Policies and Changes in Accounting Estimates

The Company has no change in: (1) accounting policies required by IFRS, (2) other accounting policies except for item (1), and (3) accounting estimates.

Number of Shares Issued - Common Stock

	As of March 31, 2017	As of September 30, 2017
Number of shares issued including treasury shares	1,695,960,030	1,695,960,030
Number of treasury shares	25,375,680	25,461,599

	Six Months Ended September 30,	
	2016	2017
Average number of shares during the period	1,689,819,111	1,670,403,168

Three-for-One Stock Split

The Company implemented a three-for-one stock split of its common stock effective on July 1, 2017. The number of shares issued (common stock) was calculated assuming that the stock split was implemented at the beginning of the previous fiscal year. Per share information such as basic EPS, diluted EPS, and dividends is also calculated based on the same assumption. The annual dividend forecast for the Fiscal Year 2017 without considering the stock split will be ¥66.

Definition of the Management KPIs

1. EBITDA = operating income + depreciation and amortization ± other operating income/expenses
2. Profit available for dividends = profit attributable to owners of the parent ± non-recurring income/losses, etc.
3. Adjusted EPS = adjusted profit[4]/ (number of shares issued at the end of the period - number of treasury shares at the end of the period)
4. Adjusted profit = profit attributable to owners of the parent ± adjustment items[5] (excluding non-controlling interests) ± tax reconciliation related to certain adjustment items
5. Adjustment items = amortization of intangible assets by acquisitions ± non-recurring income/losses

Appropriate Use of Financial Results Forecast and Other Special Notes

The Company has adopted the International Financial Reporting Standards (“IFRS”) from the first quarter of the fiscal year ending March 31, 2018. For differences between IFRS-based and Japanese GAAP-based financial figures, please refer to “2. Condensed Consolidated Financial Statements and Primary Notes, (7) Notes to Condensed Consolidated Financial Statements, 6. First-time Adoption.”

The figures for the year ended March 31, 2017 used for calculating the percentage of year-on-year changes are finalized figures based on IFRS in this document. Since the IFRS figures reported in the consolidated financial results for the year ended March 31, 2017 were approximations, the percentage of year-on-year changes were amended as appropriate.

The consolidated earnings forecast mentioned in this document includes future assumptions and projections as well as forecasts based on plans as of the disclosure date of this document. There are possibilities that actual results may differ significantly from this forecast due to various factors in the future.

The Company’s Financial Results Meeting for This Reporting Period will be Held in Tokyo on November 15, 2017

Link for Presentation Materials and Movie of the Results Meeting
http://www.recruit-rgf.com/ir/library/report/

1. Management's Discussion and Analysis for the Three Months and Six Months Ended September 30, 2017

Adoption of IFRS

The Company has adopted International Financial Reporting Standards in place of Japanese GAAP from the beginning of the Fiscal Year 2017. Comparative figures for the previous fiscal year and the previous corresponding period are also prepared in conformity with IFRS. For the reconciliation sheets required to be disclosed under IFRS, please refer to "2. Condensed Consolidated Financial Statements, (7) Notes to Condensed Consolidated Financial Statements and Primary Notes, 6. First-time Adoption."

Results of Operations

	Three Months Ended September 30,		Variance	% change	Six Months Ended September 30,		Variance	% change
	2016	2017			2016	2017		
	(in billions of yen)				(in billions of yen)			
Consolidated operating results								
Revenue[1]	486.1	538.6	52.5	10.8	924.7	1,063.0	138.3	15.0
HR Technology	29.9	52.7	22.7	75.8	59.0	99.1	40.1	67.9
Media & Solutions	161.1	166.7	5.6	3.5	322.5	332.0	9.4	2.9
Staffing	299.9	324.6	24.6	8.2	552.7	642.6	89.9	16.3
Operating income	67.4	52.0	(15.3)	(22.8)	117.4	108.3	(9.1)	(7.7)
Profit before tax	68.2	54.1	(14.1)	(20.7)	119.3	113.2	(6.1)	(5.1)
Profit for the period	49.3	41.9	(7.4)	(15.0)	84.3	82.4	(1.8)	(2.2)
Profit attributable to the owners of the parent	49.1	41.8	(7.3)	(14.9)	83.9	82.0	(1.9)	(2.3)
Management KPI								
EBITDA	58.6	67.3	8.7	14.8	121.7	139.2	17.4	14.4
HR Technology	3.9	8.4	4.5	116.1	8.2	16.1	7.9	96.6
Media & Solutions	37.2	39.0	1.7	4.7	81.4	82.2	0.7	1.0
Staffing	17.6	20.1	2.4	14.0	32.5	40.7	8.2	25.3
Adjusted EPS (yen)	20.71	22.97	2.26	10.9	43.47	48.30	4.83	11.1
Average exchange rate (yen)								
USD	-	-	-	-	105.20	111.03	5.83	5.5
EUR	-	-	-	-	115.36	126.30	10.94	9.5
AUD	-	-	-	-	79.02	85.51	6.49	8.2
Exchange rate effects on revenues[2,3,4]								
Consolidated	-	27.1	-	-	-	32.5	-	-
Staffing segment: Overseas	-	22.5	-	-	-	27.1	-	-

Notes:
1. After deducting corporate expense and eliminations. The total sum of the three segments does not agree with consolidated revenue.
2. The amounts shown are calculated by: revenues for the current period in foreign currency x (foreign exchange rate applied for the reporting period – the rate applied for the same period of the previous year)
3. Monthly average rates are applied to the HR Technology segment.
4. The amount for this second quarter is calculated by deducting the amount for the first quarter from that for the six month period.

Overview

Recruit Holdings' consolidated revenue for the three months ended September 30, 2017 (hereinafter quarterly, or the second quarter) was ¥538.6 billion, an increase of 10.8% from the same period of the previous year. This was mainly due to continued favorable growth of its Staffing and HR Technology segments. The effect of the exchange rate fluctuation positively impacted the consolidated revenue during the period by ¥27.1 billion. As a result, consolidated revenue for the six months ended September 30. 2017, was ¥1,063.0 billion, an increase of 15.0% from the same period of the previous year. The growth rate for the six-month period was higher than that for the second quarter as USG People, a wholly owned Staffing subsidiary, started to be consolidated in June 2016 and recorded its operating results for a one-month period in the first quarter of the previous year.

Consolidated operating income for the second quarter of the Fiscal Year 2017 was ¥52.0 billion, a decrease of 22.8% from the same quarter of the previous year. This decline was mainly due to a non-recurring gain from sales of shares of subsidiaries of ¥22.1 billion recorded in the second quarter of the previous year resulting from the transfer of a travel business subsidiary in the Media & Solutions segment. As a result, operating income for the six-month period was ¥108.3 billion, a decrease of 7.7% year on year.

Profit before tax for the second quarter of the Fiscal Year 2017 was ¥54.1 billion, a decrease of 20.7% year on year. This was due primarily to a decline in operating income impacted by the non-recurring gain mentioned above in the prior year. As a result, profit before tax for the six-month period was ¥113.2 billion, a decrease of 5.1% from the same period of the prior year.

Quarterly profit was ¥41.9 billion, a decrease of 15.0%, and profit for the six-month period was ¥82.4 billion, a decrease of 2.2% year on year. Quarterly profit attributable to owners of the parent was ¥41.8 billion, a decrease of 14.9% year on year, and that for the six month period was ¥82.0 billion, a decrease of 2.3% year on year. Both quarterly profit and quarterly profit attributable to owners of the parent declined accompanied by a decline in quarterly operating income as mentioned above.

Management Key Performance Indicators

Quarterly consolidated EBITDA for the second quarter was ¥67.3 billion, an increase of 14.8% year on year. This was mainly a result of the increased segment profit in all the three segments, the HR Technology, Media & Solutions and Staffing. Consolidated EBITDA for the six-month period was ¥139.2 billion, an increase of 14.4% from the same period of the prior year.

Adjusted EPS for the second quarter was ¥22.97, an increase of 10.9% year on year, and adjusted EPS for the six-month period was ¥48.30, an increase of 11.1% year on year. Quarterly profit available for dividends was ¥35.2 billion, an increase of 13.5% year on year, and that for the six-month period was ¥74.4 billion, an increase of 10.7% year on year.

Quarterly consolidated revenues and EBITDA which exclude the effect of acquisitions or dispositions were the same as those stated above in the Overview section since there were no items that were excluded for this reporting period. These figures correspond to the stated revenue and EBITDA.

Management Measures during the Second Quarter of the Fiscal Year 2017

The Group Reorganization

The Company announced that its Board of Directors has resolved on September 27 and November 14 of 2017 on a reorganization of its consolidated subsidiaries including the Company's company-split (collectively, the "Group Reorganization"), which was previously mentioned as a significant subsequent event in the "Consolidated Financial Results for the Year Ended March 31, 2017 [Japanese GAAP]" dated May 12, 2017. According to these resolutions, the Company released timely disclosures regarding the disclosed matters respectively. In those disclosures, the Company announced its intention to reorganize the Group by establishing consolidated groups under the Company based on its three strategic business units: HR Technology, Media & Solutions, and Staffing. In addition, since this planned reorganization requires a company-split, an extraordinary general meeting of shareholders will be held to submit this bill on January 17, 2018, setting October 31, 2017 as the record date for voting rights execution. For further details, please refer to the following news releases.

Announcement on September 27, 2017: http://www.recruit-rgf.com/ir/ir_news/2017/0927_7911.html
Announcement on November 14, 2017: http://www.recruit-rgf.com/ir/ir_news/2017/1114_7916.html

Interim Dividend Payment

The Company has changed its dividend policy to start interim dividend payments from the Fiscal Year 2017 in order to increase opportunities to return profits to its shareholders. Under this policy, on November 14, 2017 the Board of Directors has declared an interim dividend of ¥11 per share. The record date for the interim dividends is on September 30 of each year as stipulated in its articles of incorporation.

Results of Operations by Segment

HR Technology

This reportable segment consists of a single business operation, namely, “Indeed,” a job search engine website and its related businesses.

Quarterly revenue in the HR Technology segment was ¥52.7 billion, an increase of 75.8% year on year. This growth was mainly due to a combination of new customer acquisition and expanding spend per account. Revenue for the six-month period was ¥99.1 billion, an increase of 67.9% year on year. On a US dollar basis, year-on-year revenue growth was 60.1% for the second quarter, and 59.3% for the six-month period.

Quarterly segment EBITDA was ¥8.4 billion, an increase of 116.1% year on year. This growth was primarily due to the revenue growth, which outpaced growth in expenses during the quarter. To support its revenue growth, the HR Technology segment continued to invest in its sales force and in marketing activities, the timing of which fluctuates throughout the year. Segment EBITDA for the six-month period was ¥16.1 billion, an increase of 96.6% year on year.

The operating results of this reportable segment and its relevant data are as follows:

	Three Months Ended September 30,		Variance	% change	Six Months Ended September 30,		Variance	% change
	2016	2017			2016	2017		
	(in billions of yen)				(in billions of yen)			
Segment revenue	29.9	52.7	22.7	75.8	59.0	99.1	40.1	67.9
Segment EBITDA	3.9	8.4	4.5	116.1	8.2	16.1	7.9	96.6
Indeed net sales (in millions of USD)	297	476	178	60.1	561	894	333	59.3

Media & Solutions

This reportable segment includes media and its related services of Marketing Solutions and HR Solutions.

Quarterly revenue in the Media & Solutions segment was ¥166.7 billion, an increase of 3.5% year on year. This was mainly due to a solid trend especially in the Beauty, Housing and Real Estate businesses in Marketing Solutions, and continued steady revenue growth in HR Solutions. As a result, revenue for the six-month period was ¥332.0 billion, an increase of 2.9% from the same period of the previous year.

Quarterly segment EBITDA was ¥39.0 billion, an increase of 4.7% year on year. This was mainly due to the increased segment revenue. The breakdown of the increase is as follows: ¥25.2 billion, an increase of 8.1% year on year in Marketing Solutions, and ¥17.4 billion, an increase of 8.8% year on year in HR Solutions. As a result, segment EBITDA for the six-month period was ¥82.2 billion, an increase of 1.0% from the same period of the previous year. The lower growth rate for the six-month period compared to the three-month period was due to lower revenue growth in the first quarter of this fiscal year. In the first quarter of the previous fiscal year, a one-time revenue increase was recorded accompanied by the contract change in the over-the-counter service in the Housing and Real Estate business. The breakdown of segment EBITDA is ¥50.0 billion, an increase of 1.4% year on year, in Marketing Solutions, and ¥38.2 billion, an increase of 10.4% year on year, in HR Solutions.

The operating results of this reportable segment and its relevant data are as follows:

	Three Months Ended September 30,		Variance	% change	Six Months Ended September 30,		Variance	% change
	2016	2017			2016	2017		
	(in billions of yen)				(in billions of yen)			
Segment revenue	161.1	166.7	5.6	3.5	322.5	332.0	9.4	2.9
Marketing Solutions	91.9	96.8	4.9	5.4	182.5	188.6	6.0	3.3
Housing and Real Estate	23.9	25.1	1.2	5.4	49.6	49.8	0.1	0.4
Bridal	13.7	13.9	0.2	1.6	27.3	27.8	0.5	1.9
Travel	16.9	16.9	(0.0)	(0.1)	31.0	30.5	(0.4)	(1.5)
Dining	8.9	8.8	(0.0)	(1.1)	17.8	17.6	(0.1)	(1.0)
Beauty	14.1	15.7	1.5	11.0	27.9	30.7	2.8	10.4
Others	14.2	16.2	1.9	13.9	28.8	31.9	3.0	10.6
HR Solutions	67.6	68.7	1.1	1.7	135.7	140.0	4.3	3.2
Domestic Recruiting	61.4	62.2	0.8	1.4	125.0	128.5	3.5	2.8
Others	6.2	6.4	0.2	4.1	10.6	11.4	0.7	7.2
Corporate Expenses/Eliminations	1.5	1.1	(0.3)	(24.5)	4.2	3.3	(0.9)	(21.6)
Segment EBITDA	37.2	39.0	1.7	4.7	81.4	82.2	0.7	1.0
Marketing Solutions	23.3	25.2	1.8	8.1	49.3	50.0	0.6	1.4
HR Solutions	16.0	17.4	1.4	8.8	34.6	38.2	3.6	10.4
Corporate Expenses/Eliminations	(2.1)	(3.6)	(1.5)	-	(2.5)	(6.0)	(3.4)	-

	FY2016				FY2017	
	Q1	Q2	Q3	Q4	Q1	Q2
Business KPI						
Online restaurant seat reservations (Dining)[1,2]	9.63	19.40	36.92	51.53	14.48	28.28
Online salon reservations (Beauty)[1,2]	13.88	29.44	44.93	61.38	18.24	37.95
AirREGI registered accounts[3]	244	255	267	279	292	305
Paid *Study Sapuri* users (Others, Marketing Solutions)[3]	215	230	237	244	318	333
Statistical data						
Number of new housing starts[4](Housing)	247,079	253,072	250,696	223,290	249,916	246,924
Job-offers to applicants ratio[5] (Domestic Recruiting)	1.35	1.37	1.41	1.44	1.49	1.52

Notes;

1. Pre-cancellation reservation acceptance basis, stating the cumulative total from the beginning of each fiscal year
2. Figures are shown in millions.
3. Figures are shown in thousands.
4. Source: Statistical Survey of Construction Starts, Ministry of Land, Infrastructure, Transport and Tourism of Japan
5. Source: Ministry of Health, Labour and Welfare of Japan

Marketing Solutions

Housing and Real Estate

Despite a slowdown in the number of new construction starts of condominium apartments in Japan, revenue in the independent housing and leasing divisions grew as a result of the sales initiatives to offer solutions to its clients and to attract more users to its platform. As a result, quarterly revenue was favorable at ¥25.1 billion, an increase of 5.4% year on year. Revenue for the six-month period amounted to ¥49.8 billion, an increase of 0.4% from the same period in the previous year. The growth ratio for the six-month period was lower than the quarterly figure due to the absence of one-time revenue realized in the prior year as mentioned above. Excluding this factor, revenue for the six-month period, on a managerial accounting basis, increased by 6.0% from the same period of the previous year.

Bridal

Although the number of marrying couples and the number of couples who hold wedding receptions have been declining in Japan, the Bridal subsegment focused on responding to the high demand by major wedding venue operator clients to attract marrying couples. As a result, quarterly revenue was solid at ¥13.9 billion, an increase of 1.6% year on year. Revenue for the six-month period was ¥27.8 billion, an increase of 1.9% year on year.

Travel

The total number of hotel guests who made reservations on the Travel subsegment platform increased as the subsegment carried out campaigns to promote its usage. Meanwhile, the year-on-year quarterly revenue growth rate for this second quarter declined due to a sales of a subsidiary in the second quarter of the previous year. As a result, quarterly revenue was ¥16.9 billion, a decrease of 0.1% year on year. Revenue for the six-month period was ¥30.5 billion, a decrease of 1.5% year on year. Excluding the impact of the divestiture, revenue increased by 7.1% year on year, calculated using the figure subtracting the subsidiary's revenue from the subsegment revenue for the same period of the previous year.

Dining

Dining and restaurant operators have been facing a challenging environment mainly due to the workforce shortage in Japan. Additionally, a few of the Dining subsegment's major clients were forced to reduce their spending on sales promotion. Meanwhile, the subsegment intensively focused its efforts to promote *Air Platform*, a cloud-based operational support package, and strengthened its relationship with clients by providing operational solutions to them. As a result, quarterly revenue stagnated at ¥8.8 billion, a decrease of 1.1% year on year. Revenue for the six-month period was ¥17.6 billion, a decrease of 1.0% year on year.

Beauty

Online beauty salon reservations on the Beauty subsegment platform, *Hot Pepper Beauty*, continued to show solid growth as a result of an increase in the number of clients using *SALON BOARD*, a cloud-based beauty salon vacancy management and other support package, while improving its functionality. In addition, as a result of its efforts to extend its reach to non-urban salons, the number of its clients has further increased. As a result, quarterly revenue was favorable at ¥15.7 billion, an increase of 11.0% year on year. Revenue for the six-month period was ¥30.7 billion, an increase of 10.4% year on year.

Others

Revenues from the Automobile, Post-secondary Education, Overseas Marketing, and *Air Platform* businesses were included in this subsegment. Quarterly revenues were strong at ¥16.2 billion, an increase of 13.9% year on year. Revenues for the six-month period were ¥31.9 billion, an increase of 10.6% year on year.

HR Solutions

Domestic Recruiting

The Japanese domestic labor market has remained very tight as evidenced by the rise in the ratio of job-offers to applicants and a continued increase in the number of job advertisements. In this environment, both Full-time and Part-time Recruitment divisions have achieved solid growth as a result of enhancing their brand values, strengthening user attractiveness, and reinforcing their sales structure. As a result, quarterly revenue was solid at ¥62.2 billion, an increase of 1.4% year on year. Revenue for the six-month period was ¥128.5 billion, an increase of 2.8% year on year.

Others

Revenues from the HR development service in Japan and placement service in the Asian region were recorded in this subsegment. Quarterly revenues were favorable at ¥6.4 billion, an increase of 4.1% year on year. Revenues for the six-month period was ¥11.4 billion, an increase of 7.2% year on year.

Staffing

In this reportable segment, there are two major regional operations; Japan and Overseas.

Quarterly revenue in the Staffing segment was ¥324.6 billion, an increase of 8.2% year on year. This was mainly because of the increased revenue from the operations in Japan supported by a solid market environment. In addition, revenue from the overseas operation increased as a result of the impact of foreign exchange rate movements in this quarter. As a result, revenue for the six-month period was ¥642.6 billion, an increase of 16.3% year on year. The growth rate for the six-month period was higher than that for this second quarter as USG People started to be consolidated in June 2016.

Quarterly segment EBITDA was ¥20.1 billion, an increase of 14.0% year on year. This was mainly due to the increased revenue from the Japanese operations. The breakdown of segment EBITDA was as follows: ¥9.0 billion from the Japanese operations, an increase of 27.5% year on year, and ¥11.0 billion from the overseas operations, an increase of 4.8% year on year. As a result, segment EBITDA for the six-month period was ¥40.7 billion, an increase of 25.3% year on year. The growth rate for the six-month period was higher than the quarterly figure due to the timing of USG People's consolidation as mentioned above. Segment EBITDA was comprised of ¥20.4 billion from the Japanese operations, an increase of 40.2% year on year, and ¥20.2 billion from the overseas operations, an increase of 13.2% year on year.

The operating results of this reportable segment and its relevant data are as follows:

	Three Months Ended September 30,		Variance	% change	Six Months Ended September 30,		Variance	% change
	2016	2017			2016	2017		
	(in billions of yen)				(in billions of yen)			
Segment revenue	299.9	324.6	24.6	8.2	552.7	642.6	89.9	16.3
Japan	112.2	123.9	11.7	10.4	223.9	249.6	25.7	11.5
Overseas	187.7	200.6	12.9	6.9	328.8	392.9	64.1	19.5
Segment EBITDA	17.6	20.1	2.4	14.0	32.5	40.7	8.2	25.3
Japan	7.1	9.0	1.9	27.5	14.6	20.4	5.8	40.2
Overseas	10.5	11.0	0.5	4.8	17.9	20.2	2.3	13.2

	FY2016				FY2017	
	Q1	Q2	Q3	Q4	Q1	Q2
Statistical data						
Average number of active agency workers in Japan*	309,332	317,955	332,504	341,296	343,260	-

Note:
Source: Japan Staffing Services Association. The figure for this reported quarter is omitted since the data has not been disclosed at the time of release of this document.

<u>Japan</u>

The Japanese staffing market continues to expand moderately as evidenced by the continued increase in the number of active agency workers. Under this environment, the Japanese operations focused on extending existing staffing contracts and increasing the number of new staffing contracts. As a result, quarterly revenue was favorable at ¥123.9 billion, an increase of 10.4% year on year. Revenue for the six-month period was ¥249.6 billion, an increase of 11.5% year on year.

<u>Overseas</u>

Quarterly revenue was ¥200.6 billion, an increase of 6.9% year on year. The positive effect of foreign exchange rate movements on its revenue during this quarter was ¥22.5 billion. Excluding this effect, the quarterly revenue declined by 4.4% year on year. This was primarily due to its operating focus on profitability based on the Unit management system. In addition, the operations experienced a decrease in transactions with existing clients who limited their spending owing to the challenging business environment in some industries in the United States. As a result, revenue for the six-month period was ¥392.9 billion, an increase of 19.5% year on year. The reason for higher growth rate for the six-month period than the quarterly growth rate was the timing of USG People's consolidation as mentioned above. Effects of foreign exchange rate movements for the six-month period positively impacted revenue by ¥27.1 billion. Normalized revenue for the six-month period, excluding factors of USG People's consolidation and applied foreign exchange rates, declined by 4.4% year on year for the same reason as the quarterly revenue growth rate.

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Analysis of Consolidated Balance Sheet

	As of March 31, 2017	As of September 30, 2017	Variance	% change
	(in billions of yen)			
Assets				
Total current assets	691.3	699.1	7.7	1.1
Total non-current assets	771.5	810.6	39.1	5.1
Total assets	1,462.9	1,509.7	46.8	3.2
Liabilities				
Total current liabilities	413.5	402.5	(10.9)	(2.6)
Total non-current liabilities	306.6	299.5	(7.0)	(2.3)
Total liabilities	720.1	702.1	(17.9)	(2.5)
Equity				
Total equity attributable to owners of the parent	737.5	802.6	65.1	8.8
Non-controlling interests	5.1	4.9	(0.2)	(5.2)
Total equity	742.7	807.6	64.8	8.7

Assets

Total current assets were ¥699.1 billion, an increase of ¥7.7 billion, or 1.1%, from the end of the previous fiscal year. This was mainly due to an increase in other current assets of ¥13.8 billion, a decrease in cash and cash equivalents of ¥3.7 billion, and a decrease in other financial assets of ¥3.0 billion. Non-current assets were ¥810.6 billion, an increase of ¥39.1 billion, or 5.1%, from the end of the previous fiscal year. This was mainly because an increase in property, plant and equipment of ¥4.9 billion, an increase of ¥22.4 billion in goodwill recorded in foreign currency by Japanese yen depreciation, and an increase of ¥5.9 billion in intangible assets due to an increase in software. As a result, total assets as of September 30, 2017 were ¥1,509.7 billion, an increase of ¥46.8 billion, or 3.2%, from the end of the previous fiscal year.

Liabilities

Current liabilities were ¥402.5 billion, a decrease of ¥10.9 billion or 2.6%, from the end of the previous fiscal year. This was mainly due to a decrease in trade and other payables of ¥3.7 billion, a decrease in income tax payables of ¥5.5 billion, a decrease in allowance of ¥3.4 billion, and an increase in other current liabilities of ¥3.4 billion. Non-current liabilities were ¥299.5 billion, a decrease of ¥7.0 billion or 2.3%, from the end of the previous fiscal year. This was mainly due to a decrease in bonds and borrowings of ¥12.0 billion, an increase in deferred tax liabilities of ¥1.4 billion, and an increase in other non-current liabilities of ¥2.7 billion. As a result, total liabilities as of September 30, 2017 were ¥702.1 billion, a decrease of ¥17.9 billion or 2.5% from the end of the previous fiscal year.

Equity

Total equity as of September 30, 2017 was ¥807.6 billion, an increase of ¥64.8 billion or 8.7%, from the end of the previous fiscal year. This was mainly due to an increase in retained earnings of ¥45.0 billion resulting from the recording of profit for the period and payment of dividends, and an increase in other components of equity of ¥22.9 billion resulting from an increase in exchange differences on translation of foreign operations.

Analysis of Consolidated Cash Flows

	Six Months Ended September 30, 2016	Six Months Ended September 30, 2017	Variance
	(in billions of yen)		
Net cash flows from operating activities	70.8	92.5	21.7
Net cash flows from investing activities	(198.1)	(41.7)	156.4
Net cash flows from financing activities	103.6	(53.0)	(156.6)
Effect of exchange rate changes on cash and cash equivalents	(7.1)	(1.5)	5.5
Net increase (decrease) in cash and cash equivalents	(30.7)	(3.7)	27.0
Cash and cash equivalents at the beginning of the period	309.8	355.1	45.3
Cash and cash equivalents at the end of the period	279.0	351.4	72.3

Cash and cash equivalents (hereinafter referred to as “cash”) as of September 30, 2017 was ¥351.4 billion, a decrease of ¥3.7 billion from the end of the previous year, since cash outflows from investing and financing activities exceeded cash inflows from operating activities.

Cash Flows from Operating Activities

Cash provided by operating activities during the six months ended September 30, 2017 was ¥92.5 billion, a year-on-year increase of ¥21.7 billion, or 30.7%. This was mainly due to adding ¥29.5 billion of depreciation and amortization to, and subtracting ¥37.6 billion of income tax paid from profit before tax of ¥113.2 billion.

Cash Flows from Investing Activities

Cash used in investing activities during the six months ended September 30, 2017 was ¥41.7 billion, a year-on-year decrease of ¥156.4 billion or 78.9%. This was mainly due to payment for purchase of property, plant and equipment of ¥9.8 billion, payment for purchase of intangible assets of ¥21.6 billion, and payment for purchase of shares of subsidiaries and associates of ¥5.3 billion.

Cash Flows from Financing Activities

Cash used in financing activities during the six months ended September 30, 2017 was a decrease of ¥53.0 billion (¥103.6 billion inflow for the same period of the previous year). This was mainly due to repayment of long-term borrowings of ¥12.4 billion and dividends paid of ¥36.1 billion.

Outlook for the Fiscal Year 2017

The Company’s consolidated earnings forecast for the Fiscal Year 2017 remained unchanged since May 12, 2017.

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2. Condensed Consolidated Financial Statements and Primary Notes

(1) Condensed Consolidated Statement of Financial Position

(in millions of yen)

	As of April 1, 2016 (Date of transition to IFRS)	As of March 31, 2017	As of September 30, 2017
Assets			
Current assets			
Cash and cash equivalents	309,860	355,196	351,438
Trade and other receivables	221,998	294,456	295,144
Other current financial assets	21,792	21,330	18,298
Other current assets	14,454	20,410	34,256
Total current assets	568,106	691,394	699,138
Non-current assets			
Property, plant and equipment	39,515	49,158	54,123
Goodwill	169,264	303,273	325,753
Intangible assets	138,684	229,914	235,838
Investments in associates and joint ventures	34,199	37,627	40,361
Other non-current financial assets	109,862	113,413	115,869
Deferred tax assets	32,864	32,879	31,655
Other non-current assets	5,552	5,241	7,012
Total non-current assets	529,942	771,508	810,613
Total assets	1,098,049	1,462,903	1,509,752

(in millions of yen)

	As of April 1, 2016 (Date of transition to IFRS)	As of March 31, 2017	As of September 30, 2017
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	153,274	173,947	170,228
Bonds and borrowings	15,044	24,967	25,002
Other financial liabilities	6,453	3,097	1,338
Income tax payables	39,237	32,847	27,333
Provisions	4,212	9,114	5,634
Other current liabilities	112,030	169,551	173,047
Total current liabilities	330,253	413,524	402,584
Non-current liabilities			
Bonds and borrowings	-	186,620	174,579
Other financial liabilities	3,837	1,960	1,749
Provisions	3,210	4,198	4,203
Net defined benefit liability	44,019	43,349	44,299
Deferred tax liabilities	36,082	52,739	54,196
Other non-current liabilities	12,401	17,743	20,527
Total non-current liabilities	99,553	306,612	299,555
Total liabilities	429,806	720,137	702,140
Equity			
Equity attributable to owners of the parent			
Common stock	10,000	10,000	10,000
Share premium	53,756	52,529	50,119
Retained earnings	598,188	714,055	759,092
Treasury shares	(495)	(31,640)	(32,130)
Other components of equity	2,306	(7,369)	15,609
Total equity attributable to owners of the parent	663,755	737,575	802,690
Non-controlling interests	4,487	5,190	4,921
Total equity	668,243	742,765	807,612
Total liabilities and equity	1,098,049	1,462,903	1,509,752

RECRUIT

(2) Condensed Consolidated Statement of Profit and Loss

For the Six-Month Period

(in millions of yen)

	Six Months Ended September 30, 2016	Six Months Ended September 30, 2017
Revenue	924,751	1,063,094
Cost of sales	496,653	571,674
Gross profit	428,097	491,420
Selling, general and administrative expenses	330,605	381,706
Other operating income	23,079	860
Other operating expenses	3,075	2,182
Operating income	117,497	108,391
Share of profit (loss) of associates and joint ventures	2,062	1,835
Finance income	1,435	3,321
Finance costs	1,617	316
Profit before tax	119,376	113,233
Income tax expense	35,037	30,784
Profit for the period	84,339	82,448
Profit attributable to:		
Owners of the parent	83,987	82,068
Non-controlling interests	351	379
Profit for the period	84,339	82,448
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	49.70	49.13
Diluted earnings per share (yen)	49.63	49.02

For the Three-Month Period

(in millions of yen)

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2017
Revenue	486,170	538,698
Cost of sales	267,664	288,913
Gross profit	218,506	249,785
Selling, general and administrative expenses	172,859	197,423
Other operating income	22,557	508
Other operating expenses	748	805
Operating income	67,455	52,065
Share of profit (loss) of associates and joint ventures	1,297	633
Finance income	439	1,560
Finance costs	956	141
Profit before tax	68,235	54,117
Income tax expense	18,846	12,129
Profit for the period	49,389	41,987
Profit attributable to:		
Owners of the parent	49,183	41,848
Non-controlling interests	206	139
Profit for the period	49,389	41,987
Earnings per share attributable to owners of the parent		
Basic earnings per share (yen)	29.18	25.05
Diluted earnings per share (yen)	29.14	25.00

RECRUIT

(3) Condensed Consolidated Statement of Comprehensive Income

For the Six-Month Period

(in millions of yen)

	Six Months Ended September 30, 2016	Six Months Ended September 30, 2017
Profit for the period	84,339	82,448
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net change in financial assets measured at fair value through other comprehensive income	(5,074)	(1,420)
Remeasurements of defined benefit plans	-	-
Share of other comprehensive income of associates and joint ventures	-	(3)
Subtotal	(5,074)	(1,423)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(49,881)	22,418
Effective portion of the change in the fair value of cash flow hedges	19	0
Subtotal	(49,862)	22,418
Other comprehensive income (loss) for the period, net of tax	(54,936)	20,995
Comprehensive income for the period	29,402	103,443
Comprehensive income attributable to:		
Owners of the parent	29,404	103,040
Non-controlling interests	(2)	402
Total comprehensive income	29,402	103,443

For the Three-Month Period

(in millions of yen)

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2016
Profit for the period	49,389	41,987
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net change in financial assets measured at fair value through other comprehensive income	1,955	206
Remeasurements of defined benefit plans	-	-
Share of other comprehensive income of associates and joint ventures	-	2
Subtotal	1,955	208
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(10,808)	12,217
Effective portion of the change in the fair value of cash flow hedges	372	(536)
Subtotal	(10,436)	11,681
Other comprehensive income (loss) for the period, net of tax	(8,480)	11,889
Comprehensive income for the period	40,908	53,877
Comprehensive income attributable to:		
Owners of the parent	40,735	53,715
Non-controlling interests	173	161
Total comprehensive income	40,908	53,877

(4) Condensed Consolidated Statement of Changes in Equity

For the Six Months Ended September 30, 2016

(in millions of yen)

	Equity attributable to owners of the parent						
					Other components of equity		
	Common stock	Share premium	Retained earnings	Treasury shares	Share-based payments	Exchange differences on translation of foreign operations	Effective portion of the change in the fair value of cash flow hedges
Balance at April 1, 2016	10,000	53,756	598,188	(495)	2,137	-	168
Profit for the period			83,987				
Other comprehensive income						(49,527)	19
Comprehensive income for the period	-	-	83,987	-	-	(49,527)	19
Transfer from other components of equity to retained earnings			(5,074)				
Purchase of treasury shares		(77)		(30,000)			
Disposal of treasury shares		60		35	(95)		
Dividends			(28,236)				
Share-based payments							
Equity transactions with non-controlling interests		(1,208)					
Increase (decrease) by business combination							
Other			1,208				
Transactions with owners - total	-	(1,226)	(32,103)	(29,964)	(95)	-	-
Balance at September 30, 2016	10,000	52,529	650,073	(30,460)	2,042	(49,527)	187

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Net change in financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Total			
Balance at April 1, 2016	-	-	2,306	663,755	4,487	668,243
Profit for the period			-	83,987	351	84,339
Other comprehensive income	(5,074)		(54,582)	(54,582)	(354)	(54,936)
Comprehensive income for the period	(5,074)	-	(54,582)	29,404	(2)	29,402
Transfer from other components of equity to retained earnings	5,074		5,074	-		-
Purchase of treasury shares			-	(30,078)		(30,078)
Disposal of treasury shares			(95)	0		0
Dividends			-	(28,236)		(28,236)
Share-based payments			-	-		-
Equity transactions with non-controlling interests			-	(1,208)	(554)	(1,763)
Increase (decrease) by business combination			-	-	797	797
Other			-	1,208	(46)	1,161
Transactions with owners - total	5,074	-	4,979	(58,315)	195	(58,119)
Balance at September 30, 2016	-	-	(47,297)	634,844	4,681	639,525

For the Six Months Ended September 30, 2017

(in millions of yen)

	Equity attributable to owners of the parent						
					Other components of equity		
	Common stock	Share premium	Retained earnings	Treasury shares	Share-based payments	Exchange differences on translation of foreign operations	Effective portion of the change in the fair value of cash flow hedges
Balance at April 1, 2017	10,000	52,529	714,055	(31,640)	3,221	(11,383)	792
Profit for the period			82,068				
Other comprehensive income						22,395	0
Comprehensive income for the period	-	-	82,068	-	-	22,395	0
Transfer from other components of equity to retained earnings			(1,423)				
Purchase of treasury shares		(17)		(1,063)			
Disposal of treasury shares		(131)		573	(442)		
Dividends			(36,195)				
Share-based payments					1,026		
Equity transactions with non-controlling interests		(2,245)					
Increase (decrease) by business combination							
Other		(16)	586				
Transactions with owners - total	-	(2,410)	(37,032)	(490)	584	-	-
Balance at September 30, 2017	10,000	50,119	759,092	(32,130)	3,805	11,011	793

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Other components of equity			Total		
	Net change in financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total			
Balance at April 1, 2017	-	-	(7,369)	737,575	5,190	742,765
Profit for the period			-	82,068	379	82,448
Other comprehensive income	(1,423)		20,972	20,972	23	20,995
Comprehensive income for the period	(1,423)	-	20,972	103,040	402	103,443
Transfer from other components of equity to retained earnings	1,423		1,423	-		-
Purchase of treasury shares			-	(1,081)		(1,081)
Disposal of treasury shares			(442)	0		0
Dividends			-	(36,195)		(36,195)
Share-based payments			1,026	1,026		1,026
Equity transactions with non-controlling interests			-	(2,245)	(836)	(3,082)
Increase (decrease) by business combination			-	-		-
Other			-	570	164	735
Transactions with owners - total	1,423	-	2,007	(37,925)	(671)	(38,597)
Balance at September 30, 2017	-	-	15,609	802,690	4,921	807,612

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(5) Condensed Consolidated Statement of Cash Flows

(in millions of yen)

	Six Months Ended September 30, 2016	Six Months Ended September 30, 2017
Cash flows from operating activities		
Profit before tax	119,376	113,233
Depreciation and amortization	24,250	29,519
Gain on sales of investments in subsidiaries	(22,174)	(298)
(Increase) decrease in trade and other receivables	12,507	7,131
Increase (decrease) in trade and other payables	(7,266)	(7,432)
Other	(9,183)	(13,314)
Subtotal	117,510	128,838
Interest and dividends received	934	1,493
Interest paid	(998)	(87)
Income tax paid	(46,618)	(37,660)
Net cash flows from operating activities	70,828	92,583
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	(12,070)	(9,811)
Payment for purchase of intangible assets	(30,916)	(21,630)
Payment for purchase of shares of subsidiaries and associates	(172,462)	(5,358)
Proceeds from sales of shares of subsidiaries and associates	23,082	291
Other	(5,769)	(5,213)
Net cash flows from investing activities	(198,136)	(41,723)
Cash flows from financing activities		
Proceeds from long-term borrowings	174,704	-
Repayments of long-term borrowings	(7,500)	(12,479)
Payments of purchase of treasury shares	(30,078)	(1,081)
Dividends paid	(28,568)	(36,149)
Other	(4,897)	(3,314)
Net cash flows from financing activities	103,660	(53,024)
Effect of exchange rate changes on cash and cash equivalents	(7,120)	(1,594)
Net increase (decrease) in cash and cash equivalents	(30,768)	(3,758)
Cash and cash equivalents at the beginning of the period	309,860	355,196
Cash and cash equivalents at the end of the period	279,092	351,438

(6) Going Concern Assumption

Not applicable.

(7) Notes to Condensed Consolidated Financial Statements

1. Reporting Entity

Recruit Holdings Co., Ltd. (the "Company") is a stock company incorporated under the Companies Act of Japan and domiciled in Japan. The addresses of its registered headquarters and principal business locations are disclosed on the Company's website (http://www.recruit.jp/). The details of businesses and principal activities of the Company and its subsidiaries (the "Group") are described in "5. Operating Segments."

2. Basis of Preparation

(1) Compliance of the condensed consolidated financial statements with IFRS and matters regarding the first-time adoption thereof

The Company's condensed consolidated financial statements are prepared in conformity with International Accounting Standards 34 "Interim Financial Reporting" (hereinafter "IAS 34"). The Company applies the provisions of Article 93 of Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Financial Statements, etc. (Cabinet Office Ordinance No. 64 of 2007) (hereinafter "Ordinance on Quarterly Financial Statements") since it meets the requirements of the "Specified Company under Designated International Accounting Standards" prescribed in Article 1-2 of the same ordinance.
The Group adopted IFRS from the year ending March 31, 2018 and prepares the condensed consolidated financial statements in conformity with IAS 34 from the first quarter ended June 30, 2017. The date of transition to IFRS is April 1, 2016. In the transition to IFRS, the Group applied IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"). The effects of the transition to IFRS on the financial position, operating results, and cash flows of the Group are disclosed in Note "6. First-time Adoption."

(2) Basis of measurement

The condensed consolidated financial statements of the Company are prepared on the historical cost basis except for certain financial instruments and other assets that are measured at fair value.

(3) Functional currency and presentation currency

The condensed consolidated financial statements of the Company are presented in Japanese yen, which is the functional currency of the Company, and figures less than one million yen are rounded down to the nearest million yen.

(4) Early adoption of standards and interpretations

The Group early applied the following standards:
・IFRS 9 "Financial Instruments" (revised in 2014)

(5) Standards and interpretations in issue but not yet adopted by the Group

Major standards that were issued by the date of approval of the condensed consolidated financial statements are as follows. The Group did not early adopt them in the second quarter ended September 30, 2017.The Company is currently evaluating the effects of the adoption of these standards on the Company's condensed consolidated financial statements and they cannot be estimated at the time of this report.

Standard	The title of Standard	Mandatory adoption (from the beginning of fiscal year)	To be adopted by the Group from	Outline of new standards and revisions
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Fiscal year ending March 31, 2019	Revision of accounting principles for revenue recognition
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	Revision of accounting principles for leases

3. Significant Accounting Policies

Significant accounting policies that the Group adopted in preparing the accompanying condensed consolidated financial statements are the same as those that were adopted in the condensed consolidated financial statements for the first quarter ended June 30, 2017.

4. Significant Accounting Judgments, Accounting Estimates and Assumptions

In preparing the condensed consolidated financial statements, management makes judgments, accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are based on management's best judgments in light of historical experience and various factors deemed to be reasonable according to each situation. By their nature, however, actual results may differ from these estimates and assumptions, leading to material effects on the amounts recognized in the condensed consolidated financial statements of future quarterly periods due to changes in uncertain future economic conditions.
Estimates and their underlying assumptions are continuously reviewed. The effects of any revisions to these estimates are recognized in the period of the revision and future periods. Significant accounting estimates and assumptions in the accompanying condensed consolidated financial statements are the same as those in the condensed consolidated financial statements for the first quarter ended June 30, 2017.

5. Operating Segments

(1) Overview of Reportable Segments

The Group's reportable segments are those components of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to decide on the allocation of operating resources and assess business performance. The Group has three reportable segments by type of business, namely, (1) HR Technology segment, (2) Media & Solutions segment, and (3) Staffing segment. The HR Technology segment consists of a single business operation, namely, "Indeed," a job search engine website operated by Indeed, Inc., and its related businesses. The Media & Solutions segment consists of two business operations, namely, the Marketing Solutions and the HR Solutions. The Staffing segment consists of two business operations, namely, Japan and Overseas. .

Matters concerning changes, etc. in reportable segments

The Group considers it a priority task to respond to the rapidly changing Internet business environment, capture the needs and the business opportunities in the global market ahead of others and maximize shareholder value and corporate value, under a swift decision-making structure. As part of these initiatives, starting from April 2016, the Group has worked to expand its business value based on the three Strategic Business Units (SBUs) of Global Online HR, Media & Solutions and Global Staffing.
In order to further enhance these initiatives and because the aforementioned SBUs have become the units based on which the Board of Directors decide on the allocation of operating resources and assess business performance, effective from April 1, 2017, the previous reportable segments of "Marketing Media," "HR Media," "Staffing" and "Other" have been changed to the "HR Technology," "Media & Solutions" and "Staffing" segments.
Segment information for the six months ended September 30, 2016 and for three months ended September 30, 2016 was prepared and disclosed in accordance with the current classification method for reportable segments.

(2) Information on Reportable Segments

Income of reportable segments is EBITDA (operating income – other operating income + other operating expenses + depreciation and amortization). Segment profit of corporate expenses/eliminations includes management consulting fees from the Group companies and corporate expenses not allocated to any reportable segments. Corporate expenses consist primarily of general and administrative expenses that are not allocable to the segments. Intersegment revenue or transfers are calculated based on a price used in transactions with third parties. Segment assets are not stated as they are not calculated.

For the Six Months Ended September 30, 2016

(in millions of yen)

	Reportable Segment				Corporate Expenses/ Elimination	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third parties	57,526	320,622	546,602	924,751	-	924,751
Intersegment revenue or transfers	1,540	1,943	6,160	9,644	(9,644)	-
Total	59,067	322,565	552,762	934,395	(9,644)	924,751
Segment profit (loss)	8,239	81,416	32,524	122,180	(437)	121,743
Depreciation and amortization						24,250
Other operating income						23,079
Other operating expenses						3,075
Operating income						117,497
Share of profit (loss) of associates and joint ventures						2,062
Finance income						1,435
Finance costs						1,617
Profit before tax						119,376

, For the Six Months Ended September 30, 2017

(in millions of yen)

	Reportable Segment				Corporate Expenses/ Elimination	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third parties	96,754	330,149	636,191	1,063,094	-	1,063,094
Intersegment revenue or transfers	2,442	1,851	6,487	10,781	(10,781)	-
Total	99,196	332,001	642,678	1,073,876	(10,781)	1,063,094
Segment profit (loss)	16,195	82,210	40,749	139,155	76	139,232
Depreciation and amortization						29,519
Other operating income						860
Other operating expenses						2,182
Operating income						108,391
Share of profit (loss) of associates and joint ventures						1,835
Finance income						3,321
Finance costs						316
Profit before tax						113,233

For the Three Months Ended September 30, 2016

(in millions of yen)

	Reportable Segment				Corporate Expenses/ Elimination	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third parties	29,205	160,139	296,825	486,170	-	486,170
Intersegment revenue or transfers	784	964	3,157	4,906	(4,906)	-
Total	29,989	161,104	299,983	491,077	(4,906)	486,170
Segment profit (loss)	3,900	37,276	17,677	58,854	(205)	58,648
Depreciation and amortization						13,001
Other operating income						22,557
Other operating expenses						748
Operating income						67,455
Share of profit (loss) of associates and joint ventures						1,297
Finance income						439
Finance costs						956
Profit before tax						68,235

For the Three Months Ended September 30, 2017

(in millions of yen)

	Reportable Segment				Corporate Expenses/ Elimination	Consolidated
	HR Technology	Media & Solutions	Staffing	Total		
Revenue						
Revenue from third parties	51,386	165,901	321,410	538,698	-	538,698
Intersegment revenue or transfers	1,320	898	3,203	5,423	(5,423)	-
Total	52,707	166,799	324,614	544,121	(5,423)	538,698
Segment profit (loss)	8,426	39,041	20,147	67,615	(265)	67,350
Depreciation and amortization						14,988
Other operating income						508
Other operating expenses						805
Operating income						52,065
Share of profit (loss) of associates and joint ventures						633
Finance income						1,560
Finance costs						141
Profit before tax						54,117

6. First-time Adoption

The Group has adopted International Financial Reporting Standards ("IFRS") from the current fiscal year and prepared the accompanying condensed consolidated financial statements for the second quarter of the fiscal year ending March 31, 2018 in conformity with IAS 34. The most recent consolidated financial statements prepared in conformity with accounting standards generally accepted in Japan ("JGAAP") are for those for the fiscal year ended March 31, 2017 and the date of transition to IFRS was April 1, 2016.
The effect of the transition from JGAAP to IFRS on the financial position, operating results and cash flows is presented in the following reconciliation sheets and notes regarding reconciliation. In the reconciliation tables, "Reclassifications" includes items that that do not have an effect on retained earnings or comprehensive income, and "Difference in recognition and measurement" includes items that do have an effect on retained earnings or comprehensive income.

IFRS 1 requires that, in principle, first-time adopters retrospectively apply the requirements of IFRS. However, IFRS 1 prohibits retrospective application of certain requirements of IFRS. For "Estimates," "Derecognition of financial assets and financial liabilities," "Hedge accounting" and "Non-controlling interests," the Group only applies IFRS to transactions occurring on or after the date of transition to IFRS. In addition, IFRS 1 permits exemptions of certain requirements of IFRS (IFRS 1 Exemptions). In accordance with these provisions, effects of the transition to IFRS are reconciled in retained earnings or other components of equity as of the date of transition to IFRS.

Stated below are the exemptions under IFRS 1 that the Group has elected to use in transitioning from JGAAP to IFRS.

- The Group has not applied IFRS 3 "Business Combinations" to business combinations that occurred prior to the date of transition to IFRS.
- The Group has not applied IAS 21 "The Effects of Changes in Foreign Exchange Rates" to the cumulative amount of the exchange differences relating to investments in foreign operations that occurred prior to the date of transition to IFRS and the differences for foreign operations are deemed to be zero as of the date of transition to IFRS.
- The Group applied IFRS 9 "Financial Instruments" to the financial instruments held by the Group and designated equity financial assets as financial assets measured at fair value through other comprehensive income.

Reconciliation of Equity as of the Date of Transition to IFRS (April 1, 2016)

(in millions of yen)

JGAAP account	JGAAP	Re-classifications	Difference in recognition and measurement	IFRS	Notes	IFRS account
Assets						Assets
Current assets						Current assets
Cash and deposits	257,741	52,581	(461)	309,860		Cash and cash equivalents
Notes and accounts receivable-trade	222,288	(1,534)	1,245	221,998	6	Trade and other receivables
Securities	53,176	(32,147)	763	21,792		Other current financial assets
Deferred tax assets	23,264	(23,264)				
Other current assets	37,524	(23,155)	84	14,454		Other current assets
Allowance for doubtful accounts	(4,256)	4,256				
Total current assets	589,739	(23,264)	1,632	568,106		Total current assets
Noncurrent assets						Non-current assets
Property, plant and equipment						
Buildings and structures, net	9,767	22,664	7,082	39,515	1	Property, plant and equipment
Land	7,743	(7,743)				
Other, net	14,921	(14,921)				
Intangible assets						
Goodwill	213,051	-	(43,787)	169,264	2, 10	Goodwill
Software	70,938	77,604	(9,858)	138,684	10	Intangible assets
Other	77,604	(77,604)				
Investments and other assets						
Investment securities	120,854	(84,817)	(1,838)	34,199		Investments in associates and joint ventures
		110,145	(282)	109,862	3	Other non-current financial assets
Deferred tax assets	11,757	23,264	(2,158)	32,864	11	Deferred tax assets
Net defined benefit asset	3	8,971	(3,421)	5,552	7	Other non-current assets
Other non-current assets	34,588	(34,588)				
Allowance for doubtful accounts	(288)	288				
Total noncurrent assets	560,942	23,264	(54,264)	529,942		Total non-current assets
Total assets	1,150,681	-	(52,631)	1,098,049		Total assets

(in millions of yen)

JGAAP account	JGAAP	Re-classifications	Difference in recognition and measurement	IFRS	Notes	IFRS account
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable-trade	60,104	94,933	(1,763)	153,274	7	Trade and other payables
Current portion of long-term debt	15,000	44	0	15,044		Bonds and borrowings
Accrued expenses	85,354	(79,165)	265	6,453		Other financial liabilities
Income tax payables	40,050	(1,380)	567	39,237		Income tax payables
Accrued employees' bonuses	24,728	(24,728)				
Other current liabilities	56,758	(52,560)	14	4,212		Provisions
		58,477	53,553	112,030	4, 6	Other current liabilities
Total current liabilities	281,997	(4,380)	52,637	330,253		Total current liabilities
Long-term liabilities						Non-current liabilities
Other long-term liabilities	4,568	(4,400)	3,669	3,837		Other financial liabilities
		238	2,972	3,210		Provisions
Net defined benefit liability	28,750	1,808	13,460	44,019	5	Net defined benefit liability
Deferred tax liabilities	49,693	18	(13,629)	36,082	11	Deferred tax liabilities
Workers' compensation liability	8,671	6,715	(2,985)	12,401		Other non-current liabilities
Total long-term liabilities	91,683	4,380	3,488	99,553		Total non-current liabilities
Total liabilities	373,680	-	56,125	429,806		Total liabilities
Equity						Equity
						Equity attributable to owners of the parent
Common stock	10,000	-	-	10,000		Common stock
Share premium	53,756	-	-	53,756		Share premium
Retained earnings	596,305	-	1,883	598,188		Retained earnings
Treasury shares	(495)	-	-	(495)		Treasury shares
Accumulated other comprehensive income	110,712	2,137	(110,543)	2,306	3, 8	Other components of equity
Stock acquisition rights	2,137	(2,137)				
		-	(108,660)	663,755		Total equity attributable to owners of the parent
Non-controlling interests	4,585	-	(97)	4,487		Non-controlling interests
Total equity	777,000	-	(108,757)	668,243		Total equity
Total liabilities and equity	1,150,681	-	(52,631)	1,098,049		Total liabilities and equity

Reconciliation of Equity as of September 30, 2016

(in millions of yen)

JGAAP account	JGAAP	Re-classifications	Difference in recognition and measurement	IFRS	Notes	IFRS account
Assets						Assets
Current assets						Current assets
Cash and deposits	195,637	79,494	3,960	279,092		Cash and cash equivalents
Notes and accounts receivable-trade	247,273	(1,938)	(1,752)	243,582	6	Trade and other receivables
Securities	80,000	(58,073)	(115)	21,810		Other current financial assets
Other current assets	65,585	(45,712)	1,160	21,033		Other current assets
Allowance for doubtful accounts	(4,251)	4,251				
Total current assets	584,245	(21,978)	3,252	565,519		Total current assets
Noncurrent assets						Non-current assets
Property, plant and equipment	39,750	-	7,312	47,063	1	Property, plant and equipment
Intangible assets						
Goodwill	346,828	-	(63,087)	283,741	2, 9, 10	Goodwill
Other	148,543	-	74,042	222,586	9, 10	Intangible assets
Investments and other assets						
Investment securities	111,518	(78,785)	(1,157)	31,575		Investments in associates and joint ventures
		106,819	(11)	106,808	3	Other non-current financial assets
Other noncurrent assets	51,469	(14,570)	(4,202)	32,695	11	Deferred tax assets
		8,254	(2,028)	6,226	7	Other non-current assets
Allowance for doubtful accounts	(259)	259				
Total noncurrent assets	697,850	21,978	10,869	730,697		Total non-current assets
Total assets	1,282,095	-	14,121	1,296,217		Total assets

(in millions of yen)

JGAAP account	JGAAP	Re-classifications	Difference in recognition and measurement	IFRS	Notes	IFRS account
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable-trade	57,419	101,236	(5,897)	152,758	7	Trade and other payables
Current portion of long-term debt	32,457	1,670	21,058	55,187	10	Bonds and borrowings
Other current liabilities	182,949	(179,847)	1,158	4,260		Other financial liabilities
Income tax payables	28,275	(1,067)	1,152	28,360		Income tax payables
Accrued employees' bonuses	27,186	(27,186)				
		6,308	(1,111)	5,196		Provisions
		95,622	45,020	140,642	4, 6	Other current liabilities
Total current liabilities	328,288	(3,264)	61,381	386,405		Total current liabilities
Long-term liabilities						Non-current liabilities
Long-term debt	173,705	-	(33,313)	140,392	10	Bonds and borrowings
Other long-term liabilities	60,033	(58,995)	10,185	11,223		Other financial liabilities
		1,566	2,855	4,422		Provisions
Net defined benefit liability	29,847	789	13,439	44,075	5	Net defined benefit liability
		45,706	9,463	55,170	9, 11	Deferred tax liabilities
		14,198	803	15,001		Other non-current liabilities
Total long-term liabilities	263,585	3,264	3,434	270,285		Total non-current liabilities
Total liabilities	591,874	-	64,816	656,691		Total liabilities
Equity						Equity
						Equity attributable to owners of the parent
Common stock	10,000	-	-	10,000		Common stock
Share premium	52,804	-	(274)	52,529		Share premium
Retained earnings	615,917	-	34,156	650,073		Retained earnings
Treasury shares	(30,460)	-	-	(30,460)		Treasury shares
Accumulated other comprehensive income	35,861	2,042	(85,200)	(47,297)	3, 8	Other components of equity
Stock acquisition rights	2,042	(2,042)				
		-	(51,319)	634,844		Total equity attributable to owners of the parent
Non-controlling interests	4,056	-	624	4,681		Non-controlling interests
Total equity	690,220	-	(50,694)	639,525		Total equity
Total liabilities and equity	1,282,095	-	14,121	1,296,217		Total liabilities and equity

Reconciliation of Equity as of March 31, 2017

(in millions of yen)

JGAAP account	JGAAP	Re-classifications	Difference in recognition and measurement	IFRS	Notes	IFRS account
Assets						Assets
Current assets						Current assets
Cash and deposits	261,342	84,334	9,520	355,196		Cash and cash equivalents
Notes and accounts receivable-trade	305,336	(2,506)	(8,373)	294,456	6	Trade and other receivables
Securities	85,000	(63,577)	(91)	21,330		Other current financial assets
Deferred tax assets	25,079	(25,079)				
Other current assets	42,330	(22,907)	987	20,410		Other current assets
Allowance for doubtful accounts	(4,656)	4,656				
Total current assets	714,431	(25,079)	2,042	691,394		Total current assets
Noncurrent assets						
Property, plant and equipment						Non-current assets
Buildings and structures, net	18,127	24,085	6,945	49,158	1	Property, plant and equipment
Land	7,758	(7,758)				
Other, net	16,326	(16,326)				
Intangible assets						
Goodwill	282,555	-	20,718	303,273	2, 10	Goodwill
Software	88,940	151,900	(10,926)	229,914	10	Intangible assets
Customer related assets	95,307	(95,307)				
Other	56,593	(56,593)				
Investments and other assets						
Investment securities	121,800	(83,114)	(1,058)	37,627		Investments in associates and joint ventures
		112,679	733	113,413	3	Other non-current financial assets
Deferred tax assets	11,766	25,079	(3,965)	32,879	11	Deferred tax assets
Other noncurrent assets	36,377	(29,936)	(1,199)	5,241	7	Other non-current assets
Allowance for doubtful accounts	(371)	371				
Total noncurrent assets	735,183	25,079	11,245	771,508		Total non-current assets
Total assets	1,449,614	-	13,288	1,462,903		Total assets

(in millions of yen)

JGAAP account	JGAAP	Re-classifications	Difference in recognition and measurement	IFRS	Notes	IFRS account
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable-trade	68,029	108,618	(2,699)	173,947	7	Trade and other payables
Current portion of long-term debt	24,957	879	(869)	24,967		Bonds and borrowings
Accrued expenses	97,891	(94,945)	151	3,097		Other financial liabilities
Income tax payables	35,218	(2,875)	504	32,847		Income tax payables
Accrued employees' bonuses	26,022	(26,022)				
Other current liabilities	107,285	(97,843)	(328)	9,114		Provisions
		109,398	60,152	169,551	4, 6	Other current liabilities
Total current liabilities	359,404	(2,791)	56,912	413,524		Total current liabilities
Long-term liabilities						Non-current liabilities
Bonds payable	50,000	137,366	(745)	186,620		Bonds and borrowings
Long-term debt	137,366	(137,366)				
Other long-term liabilities	16,573	(15,414)	801	1,960		Other financial liabilities
		1,115	3,083	4,198		Provisions
Net defined benefit liability	29,214	1,805	12,328	43,349	5	Net defined benefit liability
Deferred tax liabilities	69,973	193	(17,428)	52,739	11	Deferred tax liabilities
Workers' compensation liability	8,541	15,091	(5,888)	17,743		Other non-current liabilities
Total long-term liabilities	311,670	2,791	(7,849)	306,612		Total non-current liabilities
Total liabilities	671,074	-	49,062	720,137		Total liabilities
Equity						Equity
						Equity attributable to owners of the parent
Common stock	10,000	-	-	10,000		Common stock
Share premium	52,874	-	(344)	52,529		Share premium
Retained earnings	653,490	-	60,564	714,055		Retained earnings
Treasury shares	(31,640)	-	-	(31,640)		Treasury shares
Accumulated other comprehensive income	86,062	2,042	(95,474)	(7,369)	3, 8	Other components of equity
Stock acquisition rights	2,042	(2,042)				
		-	(35,254)	737,575		Total equity attributable to owners of the parent
Non-controlling interests	5,710	-	(520)	5,190		Non-controlling interests
Total equity	778,540	-	(35,774)	742,765		Total equity
Total liabilities and equity	1,449,614	-	13,288	1,462,903		Total liabilities and equity

Reconciliation of Comprehensive Income for the Six Months Ended September 30, 2016

(in millions of yen)

JGAAP account	JGAAP	Re-classifications	Difference in recognition and measurement	IFRS	Notes	IFRS account
Net sales	814,505	-	110,245	924,751	6, 9, 10	Revenue
Cost of sales	419,208	-	77,445	496,653	4, 5, 6, 9, 10	Cost of sales
Gross profit	395,297	-	32,800	428,097		Gross profit
Selling, general and administrative expenses	336,894	-	(6,289)	330,605	1, 2, 4, 5, 7, 9, 10	Selling, general and administrative expenses
		22,567	511	23,079		Other operating income
		4,955	(1,879)	3,075		Other operating expenses
Operating income	58,402	17,612	41,481	117,497		Operating income
Non-operating income	3,059	(3,059)				
Non-operating expenses	837	(837)				
Extraordinary income	22,315	(22,315)				
Extraordinary losses	4,319	(4,319)				
		1,701	360	2,062		Share of profit (loss of associates and joint ventures
		1,105	329	1,435	3	Finance income
		202	1,415	1,617	3	Finance costs
Profit before taxes	78,619	-	40,757	119,376		Profit before tax
Income taxes	30,408	-	4,628	35,037	11	Income tax expense
Net income	48,210	-	36,128	84,339		Profit for the period
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Unrealized gain (loss) on available-for-sale securities	(4,286)	-	(788)	(5,074)	3	Net change in financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	386	-	(386)	-		Remeasurements of defined benefit plans
			(1,174)	(5,074)		Subtotal
						Items that may be reclassified subsequently to profit or loss
Foreign currency translation adjustments	(68,273)	(5,273)	23,665	(49,880)		Exchange differences on translation of foreign operations
Deferred gain (loss) on derivatives under hedge accounting	2,157	-	(2,138)	19		Effective portion of the change in the fair value of cash flow hedges
Share of other comprehensive income (loss) in affiliated companies	(5,273)	5,273				
			21,527	(49,861)		Subtotal
Total other comprehensive income (loss)	(75,289)	-	20,352	(54,936)		Other comprehensive income (loss) for the period, net of tax
Comprehensive income (loss)	(27,078)	-	56,481	29,403		Comprehensive income (loss) for the period

Reconciliation of Comprehensive Income for the Three Months Ended September 30, 2016

(in millions of yen)

JGAAP account	JGAAP	Re-classifications	Difference in recognition and measurement	IFRS	Notes	IFRS account
Net sales	406,965	-	79,205	486,170	6, 9, 10	Revenue
Cost of sales	209,552	-	58,111	267,664	4, 5, 6, 9, 10	Cost of sales
Gross profit	197,412	-	21,093	218,506		Gross profit
Selling, general and administrative expenses	171,720	-	1,139	172,859	1, 2, 4, 5, 7, 9, 10	Selling, general and administrative expenses
		22,359	198	22,557		Other operating income
		2,687	(1,939)	748		Other operating expenses
Operating income	25,692	19,671	22,091	67,455		Operating income
Non-operating income	1,530	(1,530)				
Non-operating expenses	(24)	24				
Extraordinary income	22,239	(22,239)				
Extraordinary losses	2,508	(2,508)				
		1,161	135	1,297		Share of profit (loss) of associates and joint ventures
		879	(440)	439	3	Finance income
		426	529	956	3	Finance costs
Profit before taxes	46,978	-	21,256	68,235		Profit before tax
Income taxes	16,204	-	2,642	18,846	11	Income tax expense
Net income	30,774	-	18,614	49,389		Profit for the period
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Unrealized gain (loss) on available-for-sale securities	2,377	-	(422)	1,955	3	Net change in financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	228	-	(228)	-		Remeasurements of defined benefit plans
			(650)	1,955		Subtotal
						Items that may be reclassified subsequently to profit or loss
Foreign currency translation adjustments	(29,930)	(3,544)	22,666	(10,808)		Exchange differences on translation of foreign operations
Deferred gain (loss) on derivatives under hedge accounting	184	-	187	372		Effective portion of the change in the fair value of cash flow hedges
Share of other comprehensive income loss in affiliated companies	(3,544)	3,544				
			22,854	(10,435)		Subtotal
Total other comprehensive income (loss)	(30,683)	-	22,203	(8,480)		Other comprehensive income (loss) for the period, net of tax
Comprehensive income	90	-	40,818	40,909		Comprehensive income for the period

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Reconciliation of Comprehensive Income for the Year Ended March 31, 2017

(in millions of yen)

JGAAP account	JGAAP	Re-classifications	Difference in recognition and measurement	IFRS	Notes	IFRS account
Net sales	1,839,987	-	101,934	1,941,922	6, 9, 10	Revenue
Cost of sales	979,110	-	72,400	1,051,510	4, 5, 6, 9, 10	Cost of sales
Gross profit	860,876	-	29,534	890,411		Gross profit
Selling, general and administrative expenses	733,669	-	(23,037)	710,631	1, 2, 4, 5, 7, 9, 10	Selling, general and administrative expenses
		23,768	548	24,317		Other operating income
		11,051	(467)	10,583		Other operating expenses
Operating income	127,207	12,717	53,588	193,513		Operating income
Non-operating income	6,631	(6,631)				
Non-operating expenses	2,120	(2,120)				
Extraordinary income	28,570	(28,570)				
Extraordinary losses	11,028	(11,028)				
		3,823	609	4,432		Share of profit (loss) of associates and joint ventures
		7,609	(4,563)	3,046	3	Finance income
		2,096	(33)	2,062	3	Finance costs
Profit before taxes	149,260	-	49,668	198,929		Profit before tax
Income taxes	63,197	-	(1,527)	61,669	11	Income tax expense
Net income	86,063	-	51,196	137,260		Profit for the year
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Unrealized gain (loss) on available-for-sale securities	2,121	-	3,007	5,129	3	Net change in financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	912	-	10	923		Remeasurements of defined benefit plans
		188	-	188		Share of other comprehensive income of associates and joint ventures
		188	3,018	6,240		Subtotal
						Items that may be reclassified subsequently to profit or loss
Foreign currency translation adjustments	(27,482)	(2,741)	18,726	(11,497)		Exchange differences on translation of foreign operations
Deferred gain (loss) on derivatives under hedge accounting	2,157	-	(1,533)	624		Effective portion of the change in the fair value of cash flow hedges
Share of other comprehensive income (loss) in affiliated companies	(2,553)	2,553				
		(188)	17,193	(10,873)		Subtotal
Total other comprehensive income (loss)	(24,844)	-	20,211	(4,632)		Other comprehensive income (loss) for the year, net of tax
Comprehensive income	61,219	-	71,408	132,627		Comprehensive income for the year

Notes on Reconciliation

(1) Reclassifications

The main reclassifications are as follows:

- Time deposits with maturities over three months included in cash and cash equivalents under JGAAP are presented as other financial assets (current under IFRS.
- Short-term investments due within three months of the date of acquisition included in securities under JGAAP are presented as cash and cash equivalents under IFRS.
- Financial assets and financial liabilities are presented separately in accordance with the presentation rules of IFRS.
- Deferred tax assets and deferred tax liabilities are reclassified to non-current assets and non-current liabilities under IFRS.
- Subscription rights to shares which were presented separately under JGAAP are presented as other components of equity under IFRS.
- Of the items that were presented as non-operating income, non-operating expenses, extraordinary income and extraordinary losses under JGAAP, finance-related items are presented as finance income or finance costs and other items are presented as other operating income, other operating expenses or share of profit (loss) of investments accounted for using the equity method under IFRS.

(2) Difference in recognition and measurement

1. Depreciation

Under JGAAP, the Group principally adopted the declining-balance method for depreciation of property, plant and equipment (excluding lease assets. Under IFRS, the Group adopts the straight-line method.

2. Goodwill

Under JGAAP, the Group conducted impairment assessments only when there was an indication of impairment, but under IFRS, the Group conducts impairment tests on goodwill annually.
As a result of the impairment test conducted on the transition date, the carrying amount of goodwill was reduced to the recoverable amount since the recoverable amount of goodwill fell below the carrying amount, and ¥33,055 million was recognized as an impairment loss.
The recoverable amount was determined based on the value in use and, a discount rate of 13.83% to 31.55% derived from the weighted average cost of capital before tax was used in estimating the value in use of goodwill for which an impairment loss was recognized. The material goodwill for which an impairment loss was recognized was generated from cash generating units relating to Quandoo GmbH and an impairment loss of ¥22,858 million was recognized for the entire amount of the goodwill.
The value in use is determined using the estimation of cash flows before tax for the next five years based on the business plans of each cash-generating unit approved by management. For periods beyond those covered by the business plans, a going concern value is determined.
The business plans represents management's assessment of future trends in the business and historical data, and were prepared based on external and internal information. In determining the going concern value, a growth rate of 2.00% to 4.92% was used for each cash-generating unit.
In addition, under JGAAP, goodwill was systematically amortized over a period in which the goodwill was reasonably expected to have an effect, but under IFRS, the Group has stopped amortizing goodwill since the date of transition to IFRS. Consequently, selling, general and administrative expenses decreased by ¥24,044 million, ¥11,894 million and ¥53,533 million for the six months ended September 30, 2016, the three months ended September 30, 2016 and the year ended March 31, 2017, respectively.

3. Equity financial assets

Under JGAAP, the Group principally measured unlisted equity financial assets at cost, but under IFRS, they are principally measured at fair value, and therefore, the amount of other non-current financial assets fluctuates.
In addition, under JGAAP, gains or losses on sales and impairment losses of equity financial assets were recognized in profit or loss, but under IFRS, for financial assets designated to be measured at fair value through other comprehensive income, the changes in fair values are recognized as other comprehensive income and transferred to retained earnings.

4. Unused paid absences

Unused paid absences which was not required to be accounted for under JGAAP is recognized as a liability under IFRS.

5. Retirement benefit obligations for defined benefit plans

Under JGAAP, actuarial differences were amortized by the straight-line method over a definite period within the average remaining service years of employees at the time of occurrence and proportionately charged to income from the fiscal year following the fiscal year of occurrence and past service cost was amortized by the straight-line method over a period within the average remaining service years of employees at the time of occurrence and proportionately charged to income from the fiscal year of occurrence. Under IFRS, actuarial differences are recognized in other comprehensive income at the time of occurrence and past service cost is recognized in profit or loss at the time of occurrence.
In addition, under IFRS, retirement benefits are recalculated in accordance with the provisions of IFRS and the reconciliation of the difference arising principally from the inter-period allocation method of retirement benefit obligation is reflected in retained earnings.

6. Revenue

While under JGAAP, the Group recognized revenue for online advertisements in its entirety upon their first time placement on the website, under IFRS, the Group records such revenue as deferred income under liabilities upon the placement of the advertisement on the website and recognizes the revenue over the period of the placement.
In addition, under JGAAP, revenue and cost of ticket sales at the discount ticket group purchasing website "Ponpare" were presented on a gross basis, but under IFRS, they are presented on a net basis.

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7. Provision for contingent payments for business combinations

Under JGAAP, consideration paid to employees, etc. on condition of their continuing services after business combinations were included in the cost of the business combination, but under IFRS, the Group accounts for such consideration as a payment of remuneration to employees through a transaction separate from a business combination.
In addition, under JGAAP, consideration contributed to an escrow account in accordance with the share transfer agreement was recorded under investments and other assets until the payment was confirmed, but under IFRS, it is accounted for as a cost of the business combination at the date on which control is obtained.

8. Exchange difference on translation of foreign operations

The Group elected the exemption provided in IFRS 1 and the outstanding balance of cumulative exchange differences on translation of foreign operations is fully transferred to retained earnings on the date of transition to IFRS.

9. Business combinations related to USG People B.V.

On June 1, 2016, the Group acquired USG People B.V. and made the company a subsidiary. Under JGAAP, June 30, 2016 was considered to be the deemed acquisition date, but under IFRS, June 1, 2016 is the date on which the acquirer obtains control of the acquiree.
In addition, under JGAAP, for the business combination related to USG People B.V., since the allocation of the cost was not completed as of June 30, 2016, goodwill was recognized and measured at the amount determined under provisional accounting based on reasonable information available at that time. Under IFRS, the amounts are retrospectively adjusted to the date on which control was obtained to reflect the finalization of accounting. Consequently, goodwill decreased by ¥61,988 million, and intangible assets and deferred tax liabilities increased by ¥88,089 million and ¥26,100 million, respectively.

10. Unification of reporting periods

Under JGAAP, a consolidated subsidiary whose difference between its closing date and that of the parent company is no more than three months was consolidated using the financial statements of the subsidiary by making adjustments for significant transactions between the closing date of the subsidiary and that of the parent company. Under IFRS, such subsidiary is consolidated using the provisional financial statements prepared as of the closing date of the parent company. As a result, goodwill decreased by ¥10,731 million mainly due to a change in the foreign exchange rate on the transition date. Further, revenue, cost of sales and selling, general and administrative expenses each increased as follows in line with the unification of the reporting period of USG People B.V.

(in millions of yen)

	Six Months Ended September 30, 2016	Three Months Ended September 30, 2016	Year Ended March 31, 2017
Revenue	110,668	81,923	108,452
Cost of sales	89,094	66,080	87,063
Selling, general and administrative expenses	17,411	12,890	18,235

11. Reconciliation off deferred tax assets and deferred tax liabilities

The reconciliation of deferred tax assets and deferred tax liabilities are made mainly because of the temporary differences incurred in the process of reconciliations required in transitioning from JGAAP to IFRS.

(3) Reconciliation of retained earnings

(in millions of yen)

	As of April 1, 2016 (Date of transition to IFRS)	As of September 30, 2016	As of March 31, 2017
1) Depreciation	4,015	4,061	4,389
2) Goodwill	(33,055)	(9,011)	20,914
3) Equity instruments	29,358	25,626	30,540
4) Unused paid absences	(20,428)	(21,143)	(23,136)
5) Retirement benefit obligations for defined benefit plans	(16,977)	(16,400)	(14,900)
6) Revenue	(31,490)	(22,567)	(33,038)
7) Provision for contingent payments for business combinations	(6,395)	(5,463)	(5,190)
8) Exchange differences on translation of foreign operations	70,077	70,077	70,077
Other	(9,380)	(4,469)	(8,493)
Impact of tax effects	16,160	13,446	19,402
Reconciliation of retained earnings	1,883	34,156	60,564

(4) Reconciliation of cash flows

The impacts on cash flows with the transition from JGAAP to IFRS are mainly due to (i) the unification of reporting periods of consolidated subsidiaries, (ii) difference of the date of accounting for business combinations due to the difference in the treatment of deemed acquisition date, and (iii) difference of certain treatment of contingent payments for business combinations.